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individuals; you can't have continuous learning if you don't have people staying with the company.

\* Trust is based on openness. We have something called an open-meeting policy, which means we post every meeting that's going on, and all associates, regardless of whether it's in their area or not, can go to that meeting. We also have a program where any associate can ask to spend the day with any leader anywhere in the world, including me.

\* When you boil it down, we sell thought, which of course comes from people. I believe people are going to keep their ideas to themselves unless they believe in the company.

\* People are quick to support somebody who is nice, and not somebody who's a jerk. Having nice people in leading positions allows us to be more productive; we don't spend a lot of time politicking. So we look for nice leaders; some have turned out not to be nice. They got fired.

RELATED ARTICLE: building value for the future

In their forthcoming book, "The Accelerating Organization," Arthur D. Little's Arun Maira and Peter Scott-Morgan point out that to build the high-performance organizations that will thrive in a rapidly changing environment, executives will have to pay attention to six key components of human and organizational change:

\* Manage for strategic flexibility. In a changing environment, strategic goals must be redefined continuously, even as managers nurture and build on the organization's solid core values.

\* Manage for change-readiness. Executives will need a better understanding of why people resist change, and become skilled in helping people let go of the past and be comfortable with an uncertain future.

\* Manage for hidden leverage. This involves identifying and understanding the unwritten rules that drive an organization - the complex relationships and shadow organization chart - and finding ways to rewrite those rules.

\* Manage for operational alignment. Executives will have to drive simultaneous and harmonious change in the many interrelated facets of the organization - management policies and structures, business processes, etc. - without disrupting performance.

\* Manage for organizational involvement. Change must take place on the strategic and organizational levels, but it also must occur in the minds of individuals and in their day-to-day activities. Executives must learn to make people the agents, rather than the victims, of change.

\* Manage for learning acceleration. Individuals - and, by extension, the company - must identify what is of value to customers and stakeholders, and learn how to deliver that value more and more effectively. The organization must develop an infrastructure of continuous learning, so it can keep sustaining high performance in a changing, competitive landscape.

Arthur D. Little, the international consulting firm, is committed to helping its clients reinvent their organizations, enhance their capacity for learning and change, and create lasting value. To learn more, please contact: Arthur D. Little, Acorn Park, Cambridge, MA 02140-2390. Telephone: 617-498-7400. Facsimile: 617-498-7200. E-mail: [ADL.Information@adlittle.com](mailto:ADL.Information@adlittle.com)

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SPECIAL FEATURES: illustration; other

FILE SEGMENT: MC File 75

INDUSTRY CODES/NAMES: BUS Business, General

DESCRIPTORS: Downsizing (Management)--Analysis; Chief executive officers  
--Management; Human resource management--Analysis

3/9/83 (Item 2 from file: 75)

DIALOG(R)File 75:TGG Management Contents(R)

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00216089 SUPPLIER NUMBER: 21119283 (THIS IS THE FULL TEXT)

Are you really managing your corporate resources? (Corporate Resource Management)

Skinner, Robert

Management Accounting (USA), v80, n2, p31(4)

August, 1998

ISSN: 0025-1690

LANGUAGE: English

RECORD TYPE: Fulltext; Abstract

WORD COUNT: 3887

LINE COUNT: 00311

**ABSTRACT:** Corporate Resource Management (CRM) can improve an organization's ability to manage as well as maximize returns from its employees, assets and budgeting processes. CRM ensures that the needs of the existing workforce are met to enable human resource managers to focus on employee recruitment, management and retention. It also lets fixed asset managers monitor asset depreciation and improves the budgeting process for the optimal allocation of employees and assets. One of the most important elements of CRM is the recruitment and retention of employees. Organizations can find the best job candidates by advertising job openings on the Internet and adopting new forms of employer/employee relationships. On the other hand, employee retention can be improved by providing training and complying with labor laws.

**TEXT:**

HR departments need state-of-the-art technology to manage the company's most important asset: employees.

How often have you heard a company touting that its people are its most important asset? It is one of the most overused statements in business today. But the commitment behind the statement is often lacking, leading to a whole host of problems concerning recruitment, retention, training, and employee turnover.

Too many HR departments are drowning in piles of never-ending paperwork. Resumes, job requisitions, new hire paperwork, government forms, benefits administration, payroll papers and tax forms, training forms, and review documents are just the beginning. HR managers live in fear that their documentation does not exactly comply with government regulations, but they do not have the time to focus on these potential land mines. Hiring managers are swamped with resumes, but they still cannot find enough qualified applicants. The endless search for new talent often leads to the neglect of the needs of the existing workforce, which leads to higher turnover, which just exacerbates the recruiting problem.

Corporate Resource Management (CRM) is a new concept that has evolved to help organizations better manage their key resources - their people and their assets. CRM is defined as maximizing the return on a company's investment in people, assets, and the planning process. It helps financial managers strengthen their companies and gain a competitive advantage.

Corporate Resource Management addresses the implementation and adherence to best practices for human resources, fixed assets, and budgeting. By automating and streamlining these three areas, companies can transform tasks often considered necessary evils into strategic processes that can directly affect the bottom line. CRM ensures that day-to-day human resource compliance issues are tracked accurately so that the HR manager can concentrate on recruiting, managing, and retaining the best workforce possible. CRM adherence means that a fixed asset manager knows assets are being tracked and depreciated correctly so that he or she can focus on using those assets most effectively. A complete approach to CRM can turn budgeting into a process where managers can focus on how to best deploy their people and assets.

#### HOW CORPORATE RESOURCE MANAGEMENT AFFECTS YOUR ORGANIZATION

Corporate Resource Management is so apparent that many companies assume they are already CRM practitioners. Yet, hundreds of companies do a poor job of managing their people, assets, and budgeting processes. These companies either have no real best practices or ignore the policies that are in place. The reasons for this laxity are not clear, but some of the lack of focus can certainly be attributed to the downsizing of the last 15 years and the decimation of middle management ranks.

Companies need to review and create best practices for their employees and financial assets and then commit to following them. This resolution not only will help businesses in the marketplace but will protect against

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possible legal entanglements. CRM has evolved to help organizations refocus internally and scrutinize how they manage the backbone of their operations.

#### FINDING THE RIGHT PEOPLE

One of the most important components of Corporate Resource Management is recruiting and retaining the best workforce possible. Unfortunately, hiring qualified employees is tougher today than it has ever been before. Competition for well-educated and highly experienced candidates is incredible, and companies no longer control the hiring as they did in the past. New job creation has reached an all-time high of more than three million new positions per year. As a result, compensation packages required to attract the right candidates, especially for technical positions, have increased dramatically.

The recruiting landscape has changed virtually overnight. Not only is it a job seeker's market, but the demand for technical talent has vastly increased while fewer technology "raw recruits" are entering the job market. Incredibly, the number of students studying computer science in the U.S. is half of what it was 10 years ago. Compounding the problem is the fact that H-1B work visas that allow foreign talent into the U.S. to meet the growing demand for workers were maxed out in May 1998.

The chronic shortage of IT workers affects companies in all industries. No organization can function efficiently without a fully staffed, highly knowledgeable IT department, and the growth of many hi-tech firms is being severely impacted by the scarcity of qualified employees. Positions are remaining open for months on end, and projects are being postponed or cancelled. As a result, revenue goals are not met.

Yet with all of this ruthless competition for a limited pool of prospects, most companies are still recruiting the old-fashioned way. They rely on placing ads in the Sunday papers and waiting for the resumes to arrive, but newspaper ads are no longer the best way to reach highly skilled workers - especially those in information technology. Moreover, HR departments often are ill-equipped to deal with the hundreds of resumes they may receive in answer to their ads.

#### THE NEWEST WAY TO RECRUIT

The Internet has emerged as the hottest new way to attract top talent. The most sought after candidates and casual job hunters alike are simply cruising the Web looking for interesting opportunities. It is often easier for them to surf the Web than read through the help wanted ads. The best technology candidates can have several solid opportunities in just a few days using the Internet. Many technical people, as well as forward-thinking candidates in other fields, believe that if a company does not recruit on the Internet, then it is not a progressive, dynamic employer.

Companies can capitalize on the speed and reach of the Internet to quickly find well-qualified individuals. The Internet also offers tremendous cost effectiveness when compared to traditional job listings in newspapers and trade magazines. According to Forrester Research, companies will spend \$30 million this year on Internet recruiting and \$218 million by the year 2000. Organizations need to get in front of this trend or plan on falling behind their competitors.

Businesses can advertise on a number of popular career Web sites. Hundreds of such sites exist today, most of which are focused on particular industries or job categories. Sorting through these sites can be challenging, but there are a number of nationwide job sites you should seriously investigate. I would recommend starting with Monster Board, Career Mosaic, Jobs USA, Online Career Center, E-Span, and CareerWeb.

Company Web sites also can be turned into powerful recruiting weapons. Businesses should not only post all of their open positions on their sites, but they should also ensure that the site is "candidate friendly." It needs to appeal to job seekers as well as customers. Organizations should make sure that their company looks and sounds like an attractive place to work. It needs to jump out as a great place to work, to learn, and to build a career. Most important, the job postings on the site need to be easy to find. In this "buyer's market," firms need to take advantage of every medium at their disposal to reach prospects.

Whether pulling resumes down from the Internet or receiving them via

e-mail or regular mail, any company will benefit from recruiting software that helps it find the right job candidates. A recruiting software system is a powerful tool to help companies quickly and efficiently match all incoming resumes with open jobs. It also builds an audit trail on the candidates a company interviewed and selected for employment.

Recruiting solutions consist of a scanner that reads the paper resumes into an electronic format and a database comprised of all resumes from all sources. The recruitment system accesses the resumes based on key criteria you select. For example, a company may have scanned in 300 resumes it has received over the last few months and added 100 more from the web, allowing it to easily sort candidates based on education, experience, geography, or any other criteria.

#### NEW HIRING MODELS

Organizations also should be aware of alternatives to traditional employer/employee relationships in filling positions that are in high demand. There are two new employment relationships that are gaining favor: the "Hollywood model" and the "sports model." The Hollywood model, as one would imagine, is structured like the movie business. People are brought together for a specific project and for a defined time period. Most are consultants and are anxious to stay on leading-edge projects. Once the project is completed, they are off to the next hot opportunity. This arrangement is often a win-win situation because companies can take advantage of the consultants' expertise on projects similar to their own without actually having to make them official employees or train them to do specific tasks.

The sports model mirrors the recruitment trends in the NBA and other sports. According to this model, employers should sign on young talent and not worry about their formal education. This model is most common in software development because most hi-tech companies know that many students in their teens have spent 10 years on personal computers and know the technology extremely well. Firms are tapping into this pool of talent in order to remain competitive. According to the Washington Post, more than 22,000 high school students are working in the technology sector today. That number is expected to more than double by the year 2000.

The last point that companies should bear in mind when filling positions is to consider their existing employees for new responsibilities. It is amazing how little companies know about the talent pool that exists within their own four walls.

These new trends might not fit into traditional corporate culture, but they may become more common due to the core reality of recruiting in the '90s. Potential employees are looking for experience and training as much as, if not more than, a paycheck. The U.S. is now a knowledge economy, and the candidates interviewed today will be serious about a career path and training opportunities available to them.

#### USING TRAINING TO RETAIN YOUR WORKFORCE

The next CRM fundamental is investing in the workforce that your company has worked so hard to recruit. Employee training is essential for both employer and employee. Unfortunately, many companies have come to view employee training as a double-edged sword and have cut spending in this area. In fact, companies on the average spend less per capita on training today than they did a decade ago. One major reason for this decline is the fear of losing the investment made in an employee. With higher turnover, less loyalty, and competitive poaching rampant, too many companies have become training averse. They fear that they will spend their time and money to train an employee who will then use the added experience to find a better job.

That perception is exactly right. If a business trains an employee in a new skill, then it has increased the employee's value significantly to both its own and other organizations. If a company does not then use this new knowledge and competitively compensate its employees, there is a good chance the employees will seek out greener pastures. These guidelines on training might make it easier to find the right balance:

invest in your employees. A primary reason employees leave is the perception that their employer is not making an investment in them. The

double-edged sword becomes a self-fulfilling prophecy. Employers will not train their employees for fear that they will leave, so the employee leaves to get that training. Invest in your employees, and you might find more loyalty than you think.

Train your employees to grow within your organization. Implement a logical sequence of courses and seminars that will allow upward mobility. It is easier to fill positions from the inside than to compete in the current job market. Track the skills, courses, and certifications of employees. Make sure that information is available to other departments within the company.

Realize that a well-trained employee is worth more in the marketplace. Recognize that fact, and act accordingly. Do not nickel and dime someone to death if his/her skill set and experience can command more. Many companies refuse to give reasonable salary adjustments based on updated skills. Yet the minute the employee leaves, the organization will go right out and replace him/her at a far higher salary. This paradox is one of those business mysteries we all witness but rarely change.

Set a training standard within the company, and stick to it. Too many training efforts are sporadic and short-lived. A good rule of thumb is to reinvest 2% of total compensation into training, which represents less than \$1,000 per employee in most companies. Deploy that investment where it makes the most sense for your organization, but make sure your employees are aware of this benefit and how to use it. Many companies have tuition reimbursement plans or training policies that are underused.

Make sure that employees are trained adequately to use the tools they need to do their jobs. Although this point may sound obvious, most employees who use computers have never received formal computer training. There has been a lot of discussion about the personal computer and whether it has really made people more productive. The answer is crystal clear. If employees are teaching themselves the applications on which they are supposed to be proficient, they probably are not much more productive. If they have received formal training on the tools they are expected to use daily, they are much more likely to use them well.

#### THE IMPORTANCE OF COMPLIANCE

Another vital CRM fundamental is human resource compliance. Good compliance by the HR department ensures that a company is adhering to the laws that cover its employees and the workplace. In many companies, however, HR compliance is not given the attention commensurate with the risk to the firm.

How big is that risk? The two largest HR compliance settlements ever, the EEOC's suit against Texaco and the charges against Mitsubishi for sexual harassment, occurred in the last six months. These companies were fined millions of dollars, and careers were destroyed because no one took the reality of the '90s' workplace seriously. If these incidents have not yet "turned on the lights" in your own organization, then this nightmare may be in your company's future. Litigation associated with the workplace has increased 2,200%<sup>(4)</sup> in the last decade and shows no sign of abating anytime soon.

Here's a quick test on your company's HR compliance. If you pass, you are ahead of most companies. Your organization is facing litigation related to its hiring practices, and you have to produce all the statistics from all the applicants to your company for the last two years. Which ones were hired and into which positions? How many are still with you? What were their raises and promotions? Bottom line - if you cannot produce this information quickly and clearly, your chances of winning in court are slim to none.

HR compliance is neither glamorous nor easy, but today it is a business necessity. Employers need to carefully track HR categories such as the Family and Medical Leave Act (FMLA), Americans with Disabilities Act (ADA), and the Equal Employment Opportunity Commission (EEOC). One respondent in a recent survey we conducted stated the newest acronym, FMLA, "was the biggest mess and hardest to track." If you have not put the systems in place to track HR compliance yet, you should. It is a small investment - as little as \$20 per employee. That's about the cheapest

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insurance you can get.

#### THE REVIEW PROCESS

Beyond the core legal requirements of HR compliance, employers also have an obligation to provide their employees with timely, accurate reviews. A well-managed review process can help companies develop a better workforce while consistently updating employees on how well they are doing.

Unfortunately, the main vehicle for supporting this key objective, the performance review, is rooted in a history more focused on documenting and measuring employee performance than in truly developing better employees. From creating a record of employee performance to comply with governmental antidiscrimination guidelines in the 1960s, to implementing pay for performance practices in the '80s, the performance review process has never been taken very seriously, nor has it been truly successful as a development tool.

To increase their competitive advantage, companies need to implement performance management systems that combine legal protection and pay for performance with current best practices that are focused on developing employee performance and increasing organizational effectiveness. But managers typically do not have time to compose thoughtful evaluations, find it difficult to give frank performance feedback, and rarely receive formal training on conducting reviews.

Consequently, reviews typically are late and poorly documented. Employees become frustrated because their evaluations are sporadic and often confusing. The average hard-working employee gets little lasting value out of the review process, and the company misses an excellent chance to impart useful direction and development advice. The human resource department subsequently spends much of its time policing the process rather than adding value to it.

There is also legal exposure for not conducting adequate employee reviews. Recently, a federal jury in Dallas awarded \$7.1 million to a soft drink company executive who was fired while being treated for alcoholism. The executive filed suit claiming that his alcoholism was a protected disability under the Americans with Disabilities Act, and, therefore, the company had a duty to accommodate him by permitting him to complete his treatment program and return to work. The company argued that the executive was terminated for prior performance problems and violent, threatening behavior. The jury rejected the company's arguments, in part, because the company had failed to document properly any performance problems including instances of violent behavior.

#### ADDING VALUE TO THE PERFORMANCE REVIEW

Two simple changes to the process can have significant and immediate impact on the quality and timeliness of employee reviews. First, companies should distribute the process more equally between employees and managers. This shared responsibility gives a sense of empowerment and ownership to the employee while significantly lightening management burden.

Two weeks before the review is due, the responsible manager sets up an initial meeting and brings a draft review to discuss with the employee. The employee is directed to bring a brief "self-review" focusing not only on performance but also on the attainment of the most important objectives of his position.

In the first meeting, the employee presents his review while the manager takes notes and asks questions that will help in the formal review. At the close of the meeting, the manager sets a time for a full review meeting. During the interim period, the manager finishes the review, taking advantage of the employee's input to better focus the effectiveness of the review.

This two-stage process ensures that the employee feels his views have been heard. At the same time, it reduces the odds of a serious miscommunication between the manager and employee. If there are gaps between the way the employee and manager perceive the employee's performance, the manager has the time to analyze the problem and effectively communicate a suggested resolution to the employee.

Automation is the second change that companies can implement to significantly improve the review process. The new breed of review software

tools available today solves many of the problems associated with the paper-based review process. They help ensure that the reviews are consistent and legally appropriate. The best systems lead the managers through the review process and automate the tasks of tracking and measuring performance. They also help with the most difficult part of a review-putting the assessments into writing.

Review software also allows managers to enter pertinent data at any time during the year and then pull that information into the proper format at review time. Performance reviews can then be constructed in stages and at times when certain performance criteria, whether good or bad, are fresh in the manager's mind. Departments or business units can create their own performance criteria and standards, or companies can create basic organization-wide criteria and standards and let the departments add more business-specific content.

#### EMPLOYEE SELF-SERVICE

By implementing an employee self-service system, companies also can improve their performance along several of the CRM fundamental metrics. Using Web technology within the walls of the company, Internet-based self-service allows employees to manage their own HR records and transactions.

For instance, applicants who enter information as part of the recruiting process can update it when they are hired as well as when major life events such as marriage or the birth of a child occur. This feature ensures that HR always is working with the latest information when analyzing benefits requirements. Similarly, employees can have the option of enrolling themselves in training courses, subject to their manager's approval, and thereby take control of their own development.

As a result, information is more accurate because it is captured at its source, and employees receive better service because online transactions are completed in a more timely manner than the traditional paper process. And, finally, removing HR staff from the drudgery of paperwork lets it focus on the value-adding work of recruiting, developing, and retaining the best workforce possible.

If organizations take the time to study the procedures they have in place to manage their most vital resources - their people-they can improve the competitiveness of their businesses with a more talented and loyal workforce. Although these human resource issues may not sound that important, they are essential to the well-being of any company. Corporate Resource Management helps organizations give these issues the attention they deserve.

The next article in this two-part series on Corporate Resource Management will focus on financial asset management. It will also include 10 steps to management wellness through CRM.

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SPECIAL FEATURES: photograph; illustration

FILE SEGMENT: MC File 75

INDUSTRY CODES/NAMES: BANK Banking, Finance and Accounting; BUS

Business, General; BUSN Any type of business

DESCRIPTORS: Human resource management--Technique; Resource allocation--Technique; Industrial efficiency--Management

PRODUCT/INDUSTRY NAMES: 9911390 (Management Functions NEC)

3/9/44 (Item 32 from file: 15)  
DIALOG(R)File 15:ABI/Inform(R)  
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